

USMCA Review Dairy Priorities

BACKGROUND

- Mexico and Canada are the United States' two largest dairy export destinations. The United States should prioritize preservation of this critical access while addressing areas that need improvement in the upcoming 2026 USMCA Joint Review.
- USMCA provisions were designed to expand U.S. market access into the Canadian market and introduce new disciplines on Canada's use of its dairy pricing programs to intentionally distort trade. Unfortunately, in practice the agreement has fallen short on both fronts. In addition, access to the Mexican cheese market is at risk of new Geographical Indication restrictions on common cheese names like "feta". Effective use of the USMCA Review provides an important opportunity to address these areas so that the agreement can live up to its full potential.

Needed Action: Address the dairy issues and renew USMCA to support U.S. dairy farmers

- **The U.S. government must leverage the 2026 USMCA Joint Review to address Canada's attempts to evade both its dairy market access commitments and dairy protein export disciplines, in addition to ensuring Mexico maintains access to its market for all U.S. dairy exports.**

ISSUE 1: PRESERVING DAIRY TRADE WITH MEXICO

- Mexico is the United States' largest dairy export destination, representing a critical pillar of U.S. dairy trade. USMCA is the keystone to this success, guaranteeing tariff-free access across the full spectrum of dairy trade with Mexico and providing the stable, predictable framework upon which both industries depend. This deep, strategic partnership has been built over decades, and has generated strong, sustained growth in overall dairy demand to the benefit of producers, processors, and consumers on both sides of the border.
- Mexico has recently taken steps to finally implement USMCA side letters related to the use of common cheese names like "feta" and "parmesan" which are aimed at guarding against the European Union's misuse of geographical indications to monopolize generic terms. Additional steps to protect access for the full range of U.S. cheeses remain important as the EU-Mexico Free Trade Agreement and its GI provisions near implementation.



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ISSUE 2: CANADA’S ABUSE OF DAIRY TRQ RULES

- Canadian policies continue to reserve TRQ shares almost exclusively for domestic processors, denying access to retailers and food service operators in violation of USMCA's intent. Combined with insufficient penalties for non-use, this has resulted in persistently low fill rates across multiple dairy product categories:

Whey Powders	Fluid Milk	Skim Milk Powder	Cheeses for Industrial Use
27%	34%	7%	64%
Cumulative fill rate from July 2020 to July 2025	Cumulative fill rate from July 2020 to July 2025	Cumulative fill rate from July 2020 to July 2025	Cumulative fill rate from July 2020 to December 2025

- In light of the flagrantly misguided second USMCA dispute settlement panel ruling that allowed Canada to continue circumventing USMCA's intent, NMPF and USDEC urge the U.S. government to leverage all available tools during the 2026 Joint Review to fix TRQ administration procedures that overwhelmingly favor Canadian processors while shutting out retailers, food service providers, and importers.

ISSUE 3: CANADA DAIRY EXPORT SURCHARGE LOOPHOLES

- Canada appears to be intentionally shifting dairy protein production processes to evade USMCA export surcharges that were put in place to constrain Canada’s exports of artificially low-priced dairy protein products. USMCA's disciplines specifically cited skim milk powder (HTS 0402.10), milk protein concentrates (HTS 0404.90) and infant formula (HTS 1901.10). USTR made clear in announcing these results that Canada had “committed to adopt measures designed to limit the impact of any surplus skim milk production on external markets.”
- While the export thresholds have been effective to date in limiting exports of the three tariff lines specifically cited in the text, they have not been effective in “limit[ing] the impact of any surplus skim milk production on external markets” due to Canada’s export of other products that dispose of these skim milk solids onto global markets through alternate tariff codes.
- Canadian exports of milk protein isolates (MPIs) and certain skim milk powder blends manufactured under the new Class 4a have been sharply increasing. These exports evade USMCA’s dairy protein export surcharge system yet have a similar negative impact on U.S. dairy protein producers. These products are increasingly being shipped to the United States. USMCA updates are needed to plug Canada's bad-faith use of these loophole routes.

